



# Understanding the Biodiesel Tax Incentive

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# Biodiesel Tax Incentive PASSES!

- Passed in FSC/ETI Bill
- Federal Excise Tax Credit
- 50 cent credit for each gallon of biodiesel blended into diesel fuel
- \$1 for "agri-biodiesel"
  - ◆ First use veg oils and fats



# How is it accessed?

- Credit taken at the blender level
- Benefits all consumers in the form of lower prices for biodiesel



# How is it accessed?

## ABOVE THE RACK

Refiners/terminals can submit form to be credited against other tax liability they carry for \$1/gal of biodiesel



# How is it accessed?

## BELOW THE RACK

Smaller petroleum distributors can apply for a rebate for the full amount, even if they don't carry tax liability.





# How will it affect price?

- It will lower the price of biodiesel blends to fleet managers or at the pump, etc.
- **There will be variables** that determine the cost differential, but the tax incentive will help close the gap.
- Biggest variable will be infrastructure



# How will consumers benefit?

**Competition** will drive blenders to pass on savings to consumers.

Evidence of this can be seen in the ethanol market and the bioenergy market. Nearly the full amount of the credits were passed through.



# Market Projections





# Market Projections



- How much demand will the incentive create?
  - ◆ At least 124 million gallons annually (USDA) in near future
  - ◆ Could be much higher over next decade, based on outside factors like crude oil price
  - ◆ FY04 was 30 m/gal



# Market Projections

- Informal analysis:  
Given current crude oil prices, we could see a substantial increase in demand after the regs are implemented.



# Market Projections



- What is industry capacity?
  - ◆ Currently up to 150 million gallons/yr.
  - ◆ Additional 200 mil/gal/yr through chemical industry
  - ◆ More plants planned
  - ◆ Capacity could be doubled within 12 – 18 months

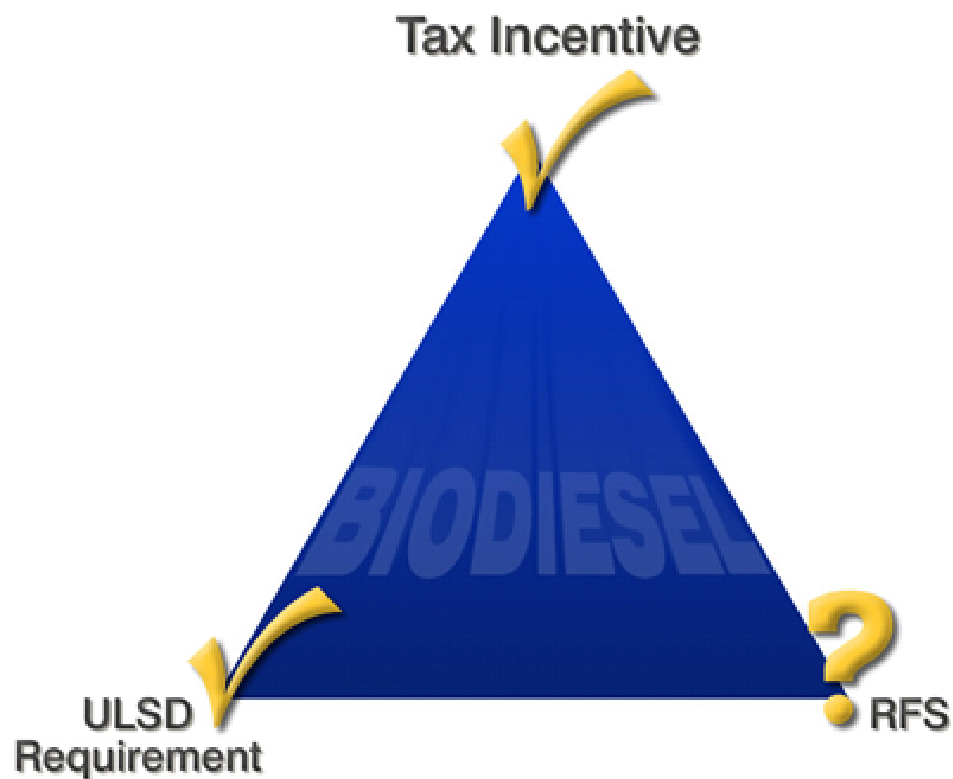


# Market Projections

- Biggest market has traditionally been B20
  - ◆ Will continue to play vital role
- LOW BLEND is seen as single best opportunity for biodiesel growth



# Broad Biodiesel Use as ULSD Lubricity Additive?





# Biodiesel as Lubricity Additive in ULSD

- 2% biodiesel used as a lubricity additive in 38 billion gallons of on-road fuel = 760 million gallons of biodiesel



# Quality is Key

- With rapid growth, fuel quality will take on increased importance
- BQ 9000
  - ◆ Voluntary quality control program set up through NBB
  - ◆ National Biodiesel Accreditation Commission
  - ◆ Independent audits
  - ◆ Peter Cremer North America first accredited producer



# New Resource! Ask BEN

- BEN: Biodiesel Education Network
- Web-based resource specifically for petroleum marketers
- Partnership between NBB/PMAA
- [www.pmaa.org](http://www.pmaa.org)

Ask Ben



# 2005 Biodiesel Conf. & Expo

Jan. 30 – Feb. 2  
Ft. Lauderdale, FL  
[www.biodiesel.org](http://www.biodiesel.org)

